

**REPORT OF THE AUDIT OF THE
HANCOCK COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2003**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE HANCOCK COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2003**

The Auditor of Public Accounts has completed the Hancock County Fiscal Court audit for fiscal year ended June 30, 2003. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Cash balances decreased by \$102,358 from the beginning of the year, resulting in a cash surplus of \$1,752,148 as of June 30, 2003.

Debt Obligations:

Note payable principal totaled \$41,973 as of June 30, 2003. Future principal and interest payments of \$45,073 are needed to meet this obligation.

Deposits:

The Fiscal Court's deposits were insured and collateralized by bank securities or bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Jack B. McCaslin, Hancock County Judge/Executive
Members of the Hancock County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity arising from cash transactions of Hancock County, Kentucky, as of June 30, 2003, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Hancock County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Hancock County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity of Hancock County, Kentucky, as of June 30, 2003, and the revenues received and expenditures paid, for the year then ended, in conformity with the modified cash basis of accounting.



To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Jack B. McCaslin, Hancock County Judge/Executive
Members of the Hancock County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated September 20, 2004, on our consideration of Hancock County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Hancock County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
September 20, 2004

HANCOCK COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2003

Fiscal Court Members:

Jack B. McCaslin	County Judge/Executive
William H. Covetts	Magistrate
Franklin W. Estes	Magistrate
Michael C. Powers	Magistrate
Loren T. Newton	Magistrate

Other Elected Officials:

Harold W. Newton	County Attorney
Michael Axton	Jailer
Trina Ogle	County Clerk
Noel J. Quinn	Circuit Court Clerk
Ralph D. Bozarth	Sheriff
Dennis R. Long	Property Valuation Administrator
David G. Gibson	Coroner

Appointed Personnel:

Harvey A. Hawkins	County Treasurer
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STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

HANCOCK COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2003

	<u>Governmental Fund Type</u>			<u>Totals</u> (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<u>Assets and Other Resources</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 1,628,018	\$ 167,427	\$	\$ 1,795,445
Notes Receivable (Note 4)	33,059	364,000	41,973	439,032
Total Assets	<u>\$ 1,661,077</u>	<u>\$ 531,427</u>	<u>\$ 41,973</u>	<u>\$ 2,234,477</u>
<u>Other Resources</u>				
Amounts to Be Provided in Future Years for:				
Landfill Post - Closure Costs (Note 7)	\$ 700,000	\$	\$	\$ 700,000
Note Payable (Note 5)			41,973	41,973
Total Other Resources	<u>\$ 700,000</u>	<u>\$ 0</u>	<u>\$ 41,973</u>	<u>\$ 741,973</u>
Total Assets and Other Resources	<u>\$ 2,361,077</u>	<u>\$ 531,427</u>	<u>\$ 83,946</u>	<u>\$ 2,976,450</u>

The accompanying notes are an integral part of the financial statements.

HANCOCK COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS
June 30, 2003
(Continued)

	Governmental Fund Type			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
<u>Liabilities and Equity</u>				
<u>Liabilities</u>				
Landfill Post-Closure Costs (Note 7)	\$ 700,000	\$	\$	\$ 700,000
Note Payable (Note 5)			41,973	41,973
Total Liabilities	\$ 700,000	\$ 0	\$ 41,973	\$ 741,973
<u>Equity</u>				
Fund Balances:				
Reserved	\$ 43,297	\$	\$	\$ 43,297
Unreserved	1,617,780	531,427	41,973	2,191,180
Total Equity	\$ 1,661,077	\$ 531,427	\$ 41,973	\$ 2,234,477
Total Liabilities and Equity	\$ 2,361,077	\$ 531,427	\$ 83,946	\$ 2,976,450

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

HANCOCK COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2003

	General Fund Type			
	General Fund	Road and Bridge Fund	Jail Fund	Local Government Economic Assistance Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 3,962,994	\$ 875,618	\$ 40,670	\$ 123,959
Other Financing Sources:				
Transfers In	73,000	732,500	212,000	25,500
Kentucky Advance Revenue Program	1,571,700			
Total Cash Receipts	<u>\$ 5,607,694</u>	<u>\$ 1,608,118</u>	<u>\$ 252,670</u>	<u>\$ 149,459</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 3,289,676	\$ 1,487,655	\$ 253,656	\$ 74,461
Kentucky Development Finance Authority-Principal				
Interest				
Other Financing Uses:				
Transfers Out	973,000	70,000		
Capital Lease:				
Principal Paid		14,735		
Kentucky Advance Revenue Program Repaid	1,571,700			
Total Cash Disbursements	<u>\$ 5,834,376</u>	<u>\$ 1,572,390</u>	<u>\$ 253,656</u>	<u>\$ 74,461</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (226,682)	\$ 35,728	\$ (986)	\$ 74,998
Cash Balance - July 1, 2002	1,667,843	19,487	1,309	13,024
Cash Balance - June 30, 2003	<u>\$ 1,441,161</u>	<u>\$ 55,215</u>	<u>\$ 323</u>	<u>\$ 88,022</u>

The accompanying notes are an integral part of the financial statements.

HANCOCK COUNTY
 STATEMENT OF CASH RECEIPTS,
 CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
 For The Fiscal Year Ended June 30, 2003
 (Continued)

Special Revenue Fund Type	Debt Service Fund Type	
	Kentucky Development Finance Authority Fund	Totals (Memorandum Only)
\$ 72,964	\$ 20,802	\$ 5,097,007
3,000		1,046,000
		1,571,700
<u>\$ 75,964</u>	<u>\$ 20,802</u>	<u>\$ 7,714,707</u>
\$ 58,380	\$	\$ 5,163,828
	17,493	17,493
	3,309	3,309
3,000		1,046,000
		14,735
		1,571,700
<u>\$ 61,380</u>	<u>\$ 20,802</u>	<u>\$ 7,817,065</u>
\$ 14,584	\$ 0	\$ (102,358)
152,843		1,854,506
<u>\$ 167,427</u>	<u>\$ 0</u>	<u>\$ 1,752,148</u>

The accompanying notes are an integral part of the financial statements.

HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2003

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Hancock County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.

Additional - Hancock County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Hancock County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Hancock County Fiscal Court's fund types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Hancock County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund.

HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The E911 Fund of the Fiscal Court is reported as a Special Revenue Fund Type.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the Kentucky Development Finance Authority Fund. Debt service is provided through monthly payments from Arvin Roll Coater, Inc., in the amount of the debt service requirements for the year.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Long-term receivables, long-term obligations and amounts to be provided in future years to retire debt are recorded in the financial statements. The amount to be provided in future years to retire debt is offset by any cash or cash equivalents held by the county in a bond or debt service fund.

The State Local Finance Officer does not require the county to maintain a general fixed assets group of accounts; therefore the value of the county's fixed assets is not included in the financial statements. These fixed assets include buildings, equipment and land that are owned by the county.

D. Legal Compliance - Budget

The Hancock County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Legal Compliance - Budget (Continued)

A formal budget is not adopted for the Kentucky Development Finance Authority Fund because the Governor's Office for Local Development does not require this fund to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. The Hancock County Urban Planning Commission is considered a joint venture.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2003, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

Note 4. Receivables

A. The county loaned \$364,000 to World Source Industries, Inc., on June 14, 1990 for the purpose of land acquisition. Arvin Roll Coater, Inc. has since assumed this loan. Terms of the agreement stipulate a one-time payment on June 14, 2005. Arvin Roll Coater, Inc. is in substantial compliance with the terms of the agreement. As of June 30, 2003, principal balance due was \$364,000.

B. The County loaned \$200,000 to World Source Industries, Inc., on August 21, 1990, for the purpose of land acquisition. Arvin Roll Coater, Inc. has since assumed this loan. Terms of the agreement stipulate a 15-year repayment schedule at interest of 6.421%. Arvin Roll Coater Inc. is in substantial compliance with the terms of the agreement. As of June 30, 2003 principal balance due was \$41,973.

C. On May 27, 1997, an agreement was entered into by and between Hancock County Fiscal Court and the Hancock County Health Department. The Fiscal Court loaned to the Health Department \$65,000 without interest. This loan was to be paid back with revenues due to the Health Department from "in lieu of tax" receipts that will be due and payable to the Health Department in future years. The balance as of June 30, 2003 was \$33,059.

HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 5. Note Payable

The County borrowed \$200,000 from the Kentucky Development Finance Authority for the purpose of economic development. Terms of the agreement stipulate a 15-year repayment schedule at interest of 6.421%. The County is in substantial compliance with the terms of the agreement. As of June 30, 2003, the principal balance due was \$41,973. Future note principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 2,153	\$ 18,650
2005	919	19,883
2006	28	3,440
Totals	<u>\$ 3,100</u>	<u>\$ 41,973</u>

Note 6. Insurance

For the fiscal year ended June 30, 2003, Hancock County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 7. Landfill Closure and Postclosure Costs

The Hancock County Landfill was closed on June 20, 1995. The County must comply with established state and federal landfill closure and postclosure procedures and must perform maintenance and monitor procedures at the site for 30 years after closure. Estimated postclosure care costs total \$700,000 as of June 30, 2003, or \$25,000 per year. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. It is anticipated that postclosure costs will be paid out of the General Fund to the extent that funds are available with any excess costs being funded using long-term borrowings.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

HANCOCK COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 3,812,304	\$ 3,953,824	\$ 141,520
Road and Bridge Fund	552,031	875,618	323,587
Jail Fund	37,685	40,671	2,986
Local Government Economic Assistance Fund	118,600	123,959	5,359
<u>Special Revenue Fund Type</u>			
E911 Fund	68,000	72,964	4,964
Totals	<u>\$ 4,588,620</u>	<u>\$ 5,067,036</u>	<u>\$ 478,416</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 4,588,620
Add: Budgeted Prior Year Surplus			1,437,599
Less: Other Financing Uses			<u>(14,735)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 6,011,484</u>

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SCHEDULE OF OPERATING REVENUE

HANCOCK COUNTY
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

<u>GOVERNMENTAL FUND TYPE</u>				
<u>Revenue Categories</u>	<u>General Fund Type</u>	<u>Special Revenue Fund Type</u>	<u>Debt Service Fund Type</u>	<u>Totals (Memorandum Only)</u>
Taxes	\$ 3,047,736	\$ 39,490	\$	\$ 3,087,226
In Lieu Tax Payments	157,422			157,422
Excess Fees	99,553			99,553
Licenses and Permits	2,565			2,565
Intergovernmental Revenues	1,311,037	31,201		1,342,238
Charges for Services	123,032			123,032
Miscellaneous Revenues	211,498		20,802	232,300
Interest Earned	50,398	2,273		52,671
Total Operating Revenue	<u>\$ 5,003,241</u>	<u>\$ 72,964</u>	<u>\$ 20,802</u>	<u>\$ 5,097,007</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

HANCOCK COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2003

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 1,257,262	\$ 1,096,065	\$ 161,197
Protection to Persons and Property	878,737	833,891	44,846
General Health and Sanitation	241,902	187,057	54,845
Social Services	194,885	103,635	91,250
Recreation and Culture	718,565	471,563	247,002
Roads	1,465,957	1,443,661	22,296
Airports	2,000	2,000	
Debt Service	71,639	138	71,501
Capital Projects	25,000	24,376	624
Administration	992,537	943,062	49,475
Total Operating Budget - General Fund Type	\$ 5,848,484	\$ 5,105,448	\$ 743,036
Other Financing Uses:			
Capital Lease Agreement- Principal on Lease	14,735	14,735	
TOTAL BUDGET - GENERAL FUND TYPE	<u>\$ 5,863,219</u>	<u>\$ 5,120,183</u>	<u>\$ 743,036</u>

HANCOCK COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 For The Fiscal Year Ended June 30, 2003
 (Continued)

<u>Expenditure Categories</u>	<u>SPECIAL REVENUE FUND TYPE</u>		
	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
Protection to Persons and Property Administration	\$ 110,000 53,000	\$ 58,380	\$ 51,620 53,000
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	<u>\$ 163,000</u>	<u>\$ 58,380</u>	<u>\$ 104,620</u>

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jack B. McCaslin, Hancock County Judge/Executive
Members of the Hancock County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Hancock County, Kentucky, as of and for the year ended June 30, 2003, and have issued our report thereon dated September 20, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Hancock County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hancock County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
September 20, 2004

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

HANCOCK COUNTY FISCAL COURT

For The Fiscal Year Ended
June 30, 2003

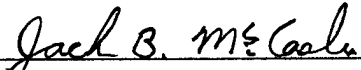
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

HANCOCK COUNTY FISCAL COURT

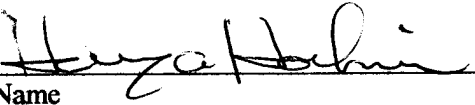
For The Fiscal Year Ended June 30, 2003

The Hancock County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name

County Judge/Executive



Name

County Treasurer

